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NUMBER 50.

First Prize Essay, 1889.

WHAT ARE RAW MATERIALS?

WOULD FREE RAW MATERIALS BE ADVANTAGEOUS TO THE LABOR AND INDUSTRIES OF THE UNITED STATES.

BY

HOMER B. DIBELL,

UNIVERSITY OF INDIANA, BLOOMINGTON, IND.,

CLASS OF '89.

LIBRARY OF THE UNIVERSITY OF CALIFORNIA.

THE AMERICAN PROTECTIVE TARIFF LEAGUE,

23 WEST TWENTY-THIRD STREET,

NEW YORK.

AWARDS FOR PRIZE ESSAYS, 1889.

In conformity with the Report of the Judges, THE AMERICAN PROTECTIVE TARIFF LEAGUE hereby announces the award of prizes to Senior college students of 1889 for essays on the subject:

"What are Raw Materials? Would Free Raw Materials be Advantageous to the Labor and Industries of the United States?"

The first prize has been awarded to Homer B. Dibell, University of Indiana, Bloomington, Ind.

The second prize has been awarded to S. L. Adler, Cornell University, Ithaca, N. Y.

The third prize has been awarded to Norman C. McPherson, Pennsylvania College, Gettysburg, Pa., and silver medals for meritorious essays have been awarded as follows:

1. Thomas M. Stalford, Lafayette College, Easton, Pa.
2. R. P. Swank, Pennsylvania State College, Centre County, Pa.
3. George B. Troub, Lafayette College, Easton, Pa.
4. Edwin S. Puller, Marietta College, Ohio.
5. Jonathan C. Ross, Dartmouth College, Hanover, N. H.
6. Herbet G. Keppel, Hope College, Holland, Mich.
7. George Henderson, University of Pennsylvania, Philadelphia, Pa.
8. George H. Kennedy, Niagara University, Suspension Bridge, N. Y.

REPORT OF THE JUDGES.

Edward H. Ammidown, Esq., President:

DEAR SIR:—The undersigned, appointed by THE AMERICAN PROTECTIVE TARIFF LEAGUE to determine the award of prizes for the best essays by Senior students of American Colleges on

"What are Raw Materials? Would Free Raw Materials be Advantageous to the Labor and Industries of the United States?"

respectfully report:

All the essays are worthy of commendation. Many of them exhibit great diligence in the preparation and care in the presentation of their arguments. It is difficult to weigh all the qualities which make up the claim to merit in such cases; but following a scale of merit for the more important qualities of the essays, we are practically unanimous in making these awards:

The first prize for the essay by "Leon."
The second prize for the essay by "Slajf."
The third prize for the essay by "Sigma."
The silver medals in the order in which they are named:

1. "Manley."
2. "R. P."
3. "L. W. S."
4. "Edwin P. Seward."
5. "Nemo."
6. "Realist."
7. "Collegian."
8. "Pluribus."

Very truly yours,

ANTHONY HIGGINS, Wilmington, Del.
STEWART L. WOODFORD, Brooklyn, N. Y.
A. M. GARLAND, Chicago, Ill.
W. F. DRAPER, Hopedale, Mass.
HOWARD M. JENKINS, Philadelphia, Pa.

WHAT ARE RAW MATERIALS? WOULD FREE RAW MATERIALS BE ADVANTAGEOUS TO THE LABOR AND INDUSTRIES OF THE UNITED STATES?

Man does not create nor add an atom to the universe of matter. He only changes the forms of materials already furnished by the hand of nature. The materials which he works upon, which he shapes into various forms for purposes of use and beauty, the materials which constitute the basis of his industry, and which are essential to his production, in one sense may be called his raw materials of manufacture.

Taken in this comprehensive sense, the term raw material has only a relative signification. The materials which form the basis of one industry are themselves the finished products of another. Cotton is the finished product of the Southern farmer, but only the raw material of the manufacturer of cottons. Lumber is the finished product of the lumberman, and trees in the forest his raw material.

There are evidently degrees in the removal of materials from the form which nature gave them. Iron ore goes through a number of intricate processes of manufacture before it goes to the consumer as a part of a complicated and perfect piece of machinery. On the other hand, anthracite coal, when it leaves the hands of the miner, is ready for the consumer, and requires no further process of production. Some materials represent much and varied labor; others represent little work, and that of the simplest kind.

The great American economist, Henry C. Carey, taking the term in its broad meaning, defines it thus: "All the products of the earth are in turn

finished commodity and raw material. Coal and ore are the finished commodity of the miner, but the raw material of pig iron. The latter is the finished commodity of the smelter, yet only the raw material of the puddler, and of him who rolls the bar. The bar is again the raw material of sheet iron, and that, in turn, becomes the raw material of the nail and the spike." *

It is obvious that if this definition is accepted, however accurate it may be as a basis from which to reason, the question proposed by the subject of this essay involves the whole problem of Free-Trade and Protection. In all the tariff discussion of the present time the term has acquired a narrower meaning than the one given by Mr. Carey. Two citations from representative men of different schools of political thought will sufficiently illustrate the present application of the term.

Abram S. Hewitt defines raw materials thus : "By raw materials I mean fuel, all food-products, all materials to which no process of manufacture has been applied, all metallic ores and all waste products which are fit only to be manufactured." †

John Sherman in referring to raw materials of manufacture says : "The chief of these are agricultural productions, namely : wool, flax, hemp and other textile grasses, hops, bristles and seeds. * * * * * * The remainder are chiefly in metals in ore or pigs, coal and marble."‡

These two representative views are concise and substantially the same. We may then say that raw materials, as now understood, include agricultural and food-products, the crude products of our mines, quarries and forests, and all commodities which have undergone no process of manufacture. All these different products vary in importance to our industries, and in quantity produced.

Having now a definite conception of what is meant by raw materials, we

* Manual of Social Science, p. 285. † Letter to Albany *Argus*.

‡ Speech in U. S. Senate, January 4, 1888.

are ready to consider whether or not it would be advantageous to the labor and industries of the United States that these should be free.

The industries of our country may be classified as agricultural, mining, manufacturing and commercial, and in these all our labor is employed except that engaged in services of a personal and professional nature, which minister to all. Here, then, in these industries and the labor employed by them, are to be found the advantages, or disadvantages, of free raw materials.

It should be borne in mind that in this treatment reference is had to the labor and industries of the United States at the present time, and under existing conditions at home and in competing foreign countries. It is not whether free raw materials would benefit the labor and industries of England or other foreign country, or of the United States at some supposable future time, when conditions of production and manufacture here and elsewhere are changed.

It is obvious, even upon casual observation, that a tariff upon raw materials may have as its object the raising of revenue to meet the necessary expenses of government, or the protection of those engaged in industries with which the imported raw materials compete in the American markets. All commodities which are entered at the ports of the United States may be separated, for purposes of reasoning, into the two following classes:

1. Those commodities which are not, and cannot easily be, produced in the United States.

2. Those commodities which are, or easily can be, produced in the United States.

Let us now apply this classification to the consideration of raw materials, and the answer to the second question proposed by the subject of the essay.

Upon thoughtful consideration it becomes evident that a revenue tariff, which is a schedule of duties levied upon imports included under the first division given above, cannot afford any benefit to the labor and industries of the

United States. It is a burden imposed for defraying the expenses of government, and has no purpose to benefit our labor and industries. It must stand or fall upon its merits as a system of raising revenue, and with that we are not now concerned. A duty may be levied upon such articles as tea, coffee and spices, which we do not and cannot produce, but no benefit will accrue to our labor and industries from such duties, for we have no like industries to be protected, and others would derive no benefit from having a revenue duty levied upon non-competing commodities. In fact it would be advantageous to have this class of raw materials free, since the consumer pays whatever enhanced price the duty causes without receiving any compensating advantages.

When we come to consider the second class of raw materials, we see that a different problem is presented. It has been so often demonstrated that, in this class of commodities, the price paid by the consumer for the imported article is not enhanced by the amount of duty levied, that it requires no further refutation or attention. Here the raw materials imported come into direct competion with the labor and capital engaged in producing like articles in the United States. The Australian wool comes into competition with home-grown wool. The iron ore of England competes in the American markets with ore, which represents American labor expended and American capital invested. The lumber from Canada displaces the products of our native forests. The coal from Nova Scotia competes with our own coal beds, and so on through the list of raw materials of this class.

It is manifest that raw materials produced abroad under more favorable conditions than can be found among us, either because of cheap labor, cheap lands, or greater natural facilities, will seriously affect those engaged in such production in our own country.

It is now in order to consider the effect which the tariff on competing raw materials has upon each of the four groups of industries—agricultural, mining,

manufacturing and commerce—and upon the labor which finds employment in each industry.

The tenth census of the United States shows that, in 1880, there were engaged in agriculture, 7,670,493 ; in professional and personal services, 4,074,238 ; in mining and manufacturing, 3,837,112 ; in trade and transportation, 1,810,256 ; and in all employments, 17,392,099.*

The number engaged in agriculture exceeds the number finding employment in any one of the other industries of the United States, and the importance of this class is made great both on account of its numbers and from the relation which the industry sustains to the other three, since it furnishes to them their food supply, and the raw materials of manufacture to many advanced industries. According to J. R. Dodge, Statistician of the Department of Agriculture, the total farm value of all our agricultural products for 1886 was $3,727,218,994, of which there were exported products to the value of $374,230,603, or 10.1 per cent. of the total production. All the various products which go to make up the total of our agricultural production come under the head of raw materials, and the question of tariff or no tariff becomes of vital interest to the farmer. The great international competition in grain production has not yet fairly commenced. In the past, England has depended for her supply of food-products principally upon her own production, and the production of the United States and the Continent. India, Australia, Africa and the South American States in the last few years are showing a desire to help supply her demand for agricultural products. Of their capabilities of extended and cheap production it is difficult to form an estimate. They have cheap land, a productive soil, and labor which asks but a small proportion of the wages with which American laborers are content.

From the statistics compiled by J. R. Dodge, we learn that the average wages paid to agricultural laborers in England are about $12.65 per month ;

* Tenth Census, Vol. I, p. 703.

in India, 6 to 8 cents per day, or $20 to $25 per year; in the Argentine Republic, $10 to $12 per month. The strength of this agricultural production cannot fail to be appreciated upon a consideration of these facts. Our great superiority in respect to labor-saving machinery is largely neutralized by this cheap labor, and if the advantage of this labor-saving machinery were added to the advantage of cheap labor, as may be done, it is readily seen that, so far as cheap grain production is concerned, we are inferior to these competing countries. The former success of the United States in this world competition has not all been due to our favorable natural resources, although these are not inconsiderable. Much of it is to be ascribed to the character of the American producer. His energy, his skill in the invention and manipulation of labor-saving machinery, his intelligence in adapting means to ends, his readiness to discover and adopt improved methods of culture, and above all the extension of facilities for cheap transportation, have conspired to aid him in the last half-century's growth.

But the machinery which it has required fifty years to invent and perfect, and the improved methods which it has taken an equal time to devise and test, can speedily be imitated by other nations. Already American-made machinery is finding its way into Russia, India, the Argentine Republic, and other competing countries. Already railways are being extended across the grain-growing and stock-grazing plains of Australia and South America. In 1888, Australia had nearly 9,000 miles of railway in operation, and nearly 2,000 miles in process of construction. India had 12,000 miles, against 20½ in 1853. The Argentine Republic had 3,000 miles constructed and 1,000 miles under way.* With this improvement in machinery, and the means of inland transportation (devised and developed in the United States under a protective system), there is made possible an agricultural growth of which we do not now form an adequate conception.

* These statistics are from Consular Reports for 1888.

The possible agricultural competition is better realized if we inquire what has been the growth and production within the last few years. The statistics which we have upon foreign grain production are scanty and not altogether satisfactory. Hon. Carroll D. Wright is authority for this comparison of India with the United States :*

In 1880 the United States exported to the United Kingdom 36 million hundred-weights of wheat, and India 21⅛ million hundred-weights. Four years later the United States exported 22⅝ million hundred-weights, and India 21 million hundred-weights. India's wheat acreage is now three-fourths that of the United States.

Without referring to the special inducement to exportation arising from her monetary system, it is obvious that she is no mean competitor. The British colonies of Australasia can offer still more serious competition. They occupy an extent of territory equal to the United States, exclusive of Alaska. In 1886 the population of these colonies was less than 3,500,000. Their country is productive, nearly all available, yields products similar to ours, and supports an industrious people. The increased production resulting from the development of these countries will be felt not alone in European markets. The countries which can compete with American grain in the markets of Liverpool will need to produce but little cheaper to compete in the markets of New York.

The cost of transportation of a bushel of wheat, by steamer, from New York to Liverpool, by the rates which went into effect on the White Star, Inman and Guion lines July 1, 1888,† was three and one-half cents. The wheat which is marketed at Liverpool could be sent to the New York port at this small advance, plus the incidental cost of transportation, were it not for the import duty of 20 cents per bushel, which is sufficient at present to preserve our own markets.

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* Report of Commissioner of Labor, 1886, p. 248.

† Special Report of Department of Agriculture, p. 321.

With a policy of Free-Trade in raw materials the United States could maintain her superiority in her own markets on condition of under-selling her cheap land and cheap labor foreign competitors. The competition which our farmers must meet under freedom of trade is not confined to grain and vegetable products. These same countries excel in facilities for the cheap raising of animals and their products.

We have now a home market nearly sufficient for our agricultural production, and with the increase of population and the relatively larger growth of other industries, this market will extend.

The American farmer cannot fail to realize how immeasurably more important to him is this home market than any foreign market, present or prospective.

In discussing the effect upon agriculture of Free-Trade in raw materials, we have considered the raw materials of consumption rather than of manufacture. These latter should now receive attention, and space permits us to speak of only one commodity of this class, but of that at some length.

No one phase of protection to raw materials has provoked more recent discussion than that arising in connection with the wool production of our country. The present magnitude of the wool-growing industry, its general distribution, and the possibility of its still further extension, makes its consideration of especial interest. To appreciate what has been the growth, and what is now the condition of the wool industry, we need only to compare the present production with the production in the past.* Fifty years ago, in 1839, the wool production of the United States was 35,802,114 pounds. In 1884, when our wool-clip reached its maximum, the production was 308,000,000 pounds. In the latter year the number of sheep was 50,626,626, and the value of the clip $91,168,000. The industry shows a general distribution. Texas in the South,

* The statistics in reference to wool production are taken from the special report on wool for 1888.

as well as Maine in the North, furnishes her share. The Eastern, Western and Central States alike have a goodly number engaged in the industry, and large capital invested.

Not taking into account the value of mutton produced, the annual wool-clip alone is of greater value than either the gold, silver or iron produced in the United States in any recent year, and above one-half the value of our coal production. Since 1884, on account of the disastrous reductions made in the duty on wool by the tariff revision of 1883, there has been a decrease in the total wool-clip and in the number of sheep kept. In 1884, with a home production of 308,000,000 pounds, we imported 78,350,651 pounds. In 1886, when our home production was 285,000,000 pounds, we imported 129,084,958 pounds. Such is substantially the present situation of the wool industry in the United States. The general value of this industry to our country is great. Rough and rugged sections which cannot be advantageously cultivated, and which afford food too scanty for the successful grazing of other animals, may be profitably utilized as pasturage for sheep. Hilly lands, which, under long cultivation and the incessant washing of rains, have lost their fertility, may afford a fair return to the wool-grower, and at the same time be themselves enriched for further cultivation.

The chief foreign wool-growing countries are Australasia, Russia, India, the Argentine Republic and the British colonies of South Africa.

The conditions of production in these and the United States are widely different, and need to be carefully examined if we would understand the wool industry in all its bearings.

With us, sheep are largely kept in comparatively small flocks. They are grazed alike on cheap and high-priced lands. They must be shedded in winter, provided with expensive food, and are tended by labor which commands a fair return.

The foreign countries named grow their wool on lands whose market value

is hardly to be considered, and on extensive ranges capable of grazing large numbers. Their shedding and winter food on an average are not so expensive. The laborers who tend the sheep subsist on cheap food, have few wants and low wages.

With such conditions of wool production at home and abroad, the wool-grower of the United States cannot hope to compete successfully with the foreign producer. The question to be considered, then, is the effect which free raw wool would have upon the labor and industries of the United States. The first effect, evidently, would be to cause the transfer of labor and capital now engaged in the production of raw wool into other lines of employment. The farmer who has devoted a part of his attention to wool-growing and who has perhaps been thus able to utilize lands unavailable or unprofitable for other purposes, and to economize his labor, must now turn to other fields of employment. The labor which has found employment in this industry must look to other lines of activity. With this loss to the farmer and the laborer their *effective demand* for the products of other branches of industry is lessened. If the wool-growers must abandon their industry and suffer the consequent losses from depreciation of lands and capital invested, they will have less money with which to procure the products of manufactories and mines. They will sell less and buy less, and less commercial activity will result.

Free raw wool means the decay, if not the extinction, of the wool-growing industry. The destruction of this industry means that those who find employment in it for either their labor or capital must look to other fields of investment and employment. This will occasion an increased production in other lines of industry which are already producing to the full demand of the market, and a consequent stagnation in those industries. From a comprehensive view of wool-growing it would seem to be a wise policy of government to encourage our growers of wool by restraining the importation of foreign

wools. The relation of raw wools to the manufacture of textile fabrics will be discussed when we come to consider the manufacturing industries.

We are next to consider the effect of free raw materials upon our mining industries and the labor engaged therein. The United States is rich in mineral resources. Coal and iron are the two products of our mines which are of the greatest importance. Besides these, copper, lead, zinc, limestone and the various structural materials require in the aggregate for their production large investments of capital, and much labor. Coal and iron are of this importance from their general use, their wide extent, the large amount of capital and labor engaged in their production, and their relation to the manufacturing industries, since they are essential to the carrying on of numerous manufacturing operations. In great part the labor which finds employment in the various mining industries, like that engaged in the production of other raw materials, is unskilled and rude. It is estimated upon careful authority,* that 80 per cent. of all engaged in manual occupations are employed in labor which requires a minimum, or only moderate, degree of skill. It is this labor, more than any other, that needs the protecting care of government. The disparity of wages between the skilled labor of the United States and the skilled labor of England is much less noticeable than the difference between the wages of common labor in the same countries.

Bituminous coal and iron ore each bear a duty of 75 cents per ton. Anthracite coal is admitted free of all duty, the annual importation amounting to but a few thousands dollars in value. This anthracite coal, too, which feels no influence of a protective duty, is the one with which a great trust is concerned. Bituminous coal, protected by a duty of 75 cents per ton, is comparatively free from attempts artificially to limit the supply and arbitrarily to fix prices. We have scarcely more than made a beginning of developing our almost limitless deposits of iron and coal. The wide extent of

* Bonham's Industrial Liberty, p. 257.

these two minerals, often in close proximity, together with limestone, renders their development peculiarly advantageous. Our total production of iron ore in 1886, in round numbers, amounted to 10,000,000 long tons of 2,240 pounds each.* In the same year our imports of iron ore were 1,000,000 long tons. Though the amount imported is small, if we consider the value of this raw ore when brought to the American markets, we see that a great amount of wealth goes to foreign countries in the purchase of a commodity the sources of which are nearly inexhaustible with us but not yet fully developed. This money, too, represents in a large measure wages which would go to American laborers if the iron were taken from our own mines ; for a large portion of the value of iron ore ready to be shipped, or to be smelted, is the cost of the labor expended upon it.

The total production of bituminous coal for the same year, exclusive of colliery consumption, was 70,985,734 tons of 2,000 pounds each. The value of this product at the mines was $75,554,629. Our imports of coal for the same period were less than a million tons. This is relatively small, and indicates a healthy condition of our coal mining industry. If we stop to consider the low value of coal per ton at the surface of the mines, and the large ratio to this value which the customs duty of 75 cents per ton bears, we may imagine what would be the importation if this tariff were removed, and the same remark might properly have been made of the production of iron ore.

If the duty were removed, for a time we would have both coal and iron cheaper than now, that is, for a time long enough to divert the labor and capital, or a part of it, from the mining of coal and iron, and then prices would rise again with the increased demand made upon foreign producers. With the present duty the competition of foreign coal producers is not such as seriously to affect our coal interests, with the exception of some local districts.

* The statistics of iron and coal production are from report on Mineral Resources of U. S., 1886.

Under the existing tariff the opening of mines is growing steadily, and in some localities rapidly, and will increase still more with enlarged facilities for cheap transportation. Great Britain ships coal both to the Atlantic and Pacific coasts. Nova Scotia exports to the Atlantic coast. Australia and British Columbia can pay the duty of 75 cents per ton and still give disastrous competition to the coal producers of California and Washington Territory. This competition efficiently retards the development of the coal mines along the Pacific coast, and these are the local districts seriously affected by competition in coal production.

There is hardly a State of the South that has not an abundance of iron ore, and likewise of coal and limestone. These resources are comparatively undeveloped, although there is now manifested a greater tendency to make use of them. It seems that scarcely any present sacrifice can be too great if, by means of it, the opening of these mines can be secured. When once ore is produced in sufficient quantities, and smelted in the same region to avoid the $3 or $4 cost per ton for transportation to Northern markets, there will be a large demand for Southern coal. With the development of these two mining industries, with the furnaces and factories, there will come a strong demand for laborers, and these laborers will make a market for Southern agricultural products.

The resultant diversification of industry, which is one great end of a protective tariff, will show itself in the general prosperity of Southern industries. Labor of whatever kind and value will find ready employment, and capital an ample field of investment. All the labor supply of the South will be utilized. Those who are best fitted for agricultural pursuits will find employment there. Others will find work in factories and mines. When all are productively employed, the total wages will be large. These wages will be expended in the purchase of the products of the different industries, and as a result a stimulus of the various industries will follow.

It might seem that if our mineral resources are so extensive we should be able to compete successfully with other mineral-producing countries without aid of a tariff. Why we cannot do so will be evident from a consideration of the following: More than half the cost of production of coal, coke and iron is in the wages paid labor.* The average wages of those engaged in the production of coal, coke and iron ore in Great Britain are $1.02 per working day of nine hours.† In the United States they are $1.64 for an equal number of hours. This is an advantage of more than 60 per cent. in the labor cost alone in favor of Great Britain. With open competition our mining industries could not thrive unless conditions were equalized by reducing our wages to the European level. Such reduction would not give to our mining industries greater prosperity than they now enjoy, and the effect upon wage-earners is too apparent to need mention.

We are now ready to examine the policy of Free-Trade in raw materials in its bearing upon the manufacturing industries.

The objection most urgently advanced against protection to raw materials of manufacture is, that, entering as they do into so many different processes of manufacture, the price of the finished article is increased to such an extent that we cannot successfully compete with foreign producers of like articles. In brief, it is argued that if we had access to free raw wool we might compete in our finished woolen fabrics with England and the Continent. If we had free iron ore, our finished products, which contain large amounts of iron, could compete with like foreign-made commodities. If all our raw materials were free, our manufactured articles would find an extended market, while our own people would be benefited through receiving cheaper manufactures. These arguments, so plausibly urged, depend, however, upon two assumptions. The first is that if the duty on raw materials was removed, the price of such raw

*Report of Commissioner of Labor, 1886, p 103.

†Report of Commissioner of Labor 1886 p 226

materials would be permanently reduced by the amount of the duty levied. The second assumption is that with raw materials of the same value as those of foreign manufacturing countries, we could compete with them in the markets of the world. These two assumptions we will examine in the order given. By way of illustration, we may cite the wool-growing industry. The tariff on raw wool prevents the foreign producer from destroying our wool-growing industry. If this duty were taken off, the foreign producer could send his wool into our ports at prices which would destroy the American industry. After the American industry was destroyed, that part of the demand before supplied by the American producer would be transferred to the foreign producer. With this increased demand for raw wool, its price would naturally and inevitably rise.

The same fact of production is clearly shown in the case of the mining industries of Great Britain, which, in some instances, have been carried on at a positive loss to their owners, in order to enable them to destroy American competition. In a report of the Commissioner appointed to inquire into the condition of the mining districts of Great Britain, in 1854, we find the following language used :

"I believe that the laboring classes generally in the manufacturing districts of this country, and especially in the iron and coal districts, are very little aware of the extent to which they are often indebted for their being employed at all, to the immense losses which their employers voluntarily incur in bad times, in order to destroy foreign competition, and to gain and keep possession of foreign markets. Authentic instances are well known of employers having in such times carried on their works at a loss amounting in the aggregate to three or four hundred thousand pounds, in the course of as many years."

After this competition has been destroyed, the English capitalist not only resumes his usual profits, but recoups himself for losses sustained in destroying his American rival. Reverting to the illustration of wool, another feature of

this same assumption is shown. The American wool-grower, encouraged by reasonable protection, introduces improved breeds of sheep, and thus increases the average clip per head. As this clip is so increased there results a greater and more valuable product. This increase must go to somebody. Either the wool-grower will retain it permanently in greater profits, or competition entering will lower the prices to an average return for labor and capital expended. It is a law of production which Free-Trader and Protectionist must alike recognize, that, when capital is as mobile as now, the profits in any protected industry will not permanently remain above the profits gained in other industries, whether protected or not, which require substantially equal capital, labor, skill and other essentials of production. As a result of this law the increased facilities for production of wool would cause a lowering of price, while at the same time the grower would be receiving average profits. We do not make the assertion that we are getting our raw materials as cheap as we would get them under freedom of trade. What we do mean to assert is that the difference between what is paid for them now and what would be given for them after the policy of Free-Trade had been inaugurated and fairly established, is much less than appears upon first thought. The assumption, then, that imported raw materials would be offered at the same price for which they can now be had, less the duty, is unwarranted.

Let us now examine the assumption that with raw materials at the same price which other nations pay we could successfully compete with them in the markets of the world. Evidently there is but one way in which we could do this, and that is by selling the same article for the same or a less price. The cost of raw materials is not the only item that enters into the cost of production of a finished commodity. There is the amount paid as wages, the interest and risk on capital sunk in the plant, its deterioration in value and the cost of administration, all of which must be accounted in determining the cost of production. The materials which in their raw state represent the value of a dollar,

become worth many times that amount when they have undergone a number of processes of manufacture, and this increase in value is due to the factors of production just enumerated. According to the London *Artisan* a dollar's worth of lead when made into printing type is worth $30. An amount of iron of like value when made into ornamental work, is worth $48 ; into scissors, $450 ; into penknife blades, $650 ; and into sword handles, $980. Even hemp, which does not undergo very extensive processes of manufacture, and which when finished is but a rough product, is worth four times its value as a raw material. The same fact is further illustrated in the case of the raw materials of our various textile and mechanical industries.

Of the elements in the cost of production, not the least is labor. The average daily wages of the employees, including men, women and children, in the manufacture of woolen goods in the United States, are $1.49, and in Great Britain, 88 cents ; in metals and metallic goods in the United States, $1.80, in Great Britain, $1.35, and in Belgium, 66 cents ; in carpetings in the United States, $1.51, and in Great Britain, $1.20.*

It is not denied that, on an average, American labor surpasses in efficiency English and European labor. Yet, with all this superior efficiency in our favor, other conditions prevent us from successful competition with the products of English and European labor. It is impossible for us to find a place where we can get our raw materials of manufacture cheaper than the English manufacturers get theirs. When they have been manufactured with the extra cost of our high-priced labor, we cannot find a market where we can get more for them, and to reach a market outside of our own borders we must travel as far, or farther, than they. The higher wages paid our American laborers, which are not only larger per capita, but also larger for the amount of work accomplished, effectually preclude the possibility of our competing with them in any line of manufacture in which other conditions are the same.

* Report of Commissioner of Labor, 1886, p. 226.

It is true that in some lines of production we do compete with them successfully now, but this is owing to favorable conditions in other respects, and not to our having raw materials at the same price at which they have them. What has been said sufficiently disposes of the claim that extended markets would result to an appreciable extent from the possession of free raw materials.

Cotton has been free since the tariff revision of 1870; yet in 1887 we exported less than fifteen million dollars' worth of cottons, and imported cottons to the value of a little less than twenty-nine millions. Nine years before, in 1878, we exported eleven and one-half million dollars' worth of cottons, and imported to the value of twenty and one-half millions. In 1887 we exported 68 per cent. of our total production of raw cotton to be manufactured by other countries.*

The second assumption, then, like the first is not warranted by a careful consideration of the conditions of manufacture here and in competing foreign countries. The arguments which we have given in reference to our manufacturing industries have been negative, tending to show that they would receive no appreciable advantages from having raw materials free. There are, however, positive arguments tending to show that advantages accrue to the manufacturing industries from a policy which secures a fair measure of prosperity to the producers of raw materials. The American manufacturer depends for a market for his wares mostly upon those engaged in other American industries. Anything, then, which contributes to the prosperity of these, benefits him through the increasing demand for his products. A prosperous condition among the farmers, the wool-growers, the miners, the wage-earners, and all who are engaged in the production of raw materials reflects itself in the stimulus given to the business of the manufacturer who supplies the former with finished commodities.

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* Statistical Abstract for 1887, p. 136.

It is a false ambition, as well as a wrong policy, which would seek to extend our foreign markets and by so doing injure the efficient demand of the home market. The question is fairly presented when we consider that the conditions are just these : We can get raw materials no cheaper than England and other manufacturing nations. When they have been transformed into finished productions we can find no nearer market, nor can we find any place where our wares will command higher prices. Such are the conditions of manufacture. The question then narrows itself largely to one of labor and wages. If our laborers will consent to accept less wages and the lower standard of living which it entails, and wages enough lower to enable American manufacturers to compete with foreign labor, we can hope to rival foreign manufacturing countries whose other conditions are substantially the same as ours. It will be a sorry day for America when her workmen in the factories and mills accept, either from choice or necessity, the wages and standard of living prevailing in Her Majesty's dominions. Our manufacturing industries will continue to prosper, not from having raw materials free, but from having an active home demand, which results from a prosperous condition of those in other industries, and among them the producers of raw materials.

We come now to the last industry named—commerce. Commerce differs from the other industries which we have examined in that it depends upon, or exists on account of, the relation to one another of the three industries previously considered. Its office in not to produce, in the sense of changing the form of materials. It only changes their place. It is wrong to identify commerce with trade between nations. Prof. R. E. Thompson* defines commerce clearly when he says that it is "the interchange of services or of commodities between persons or groups of different industrial functions." In a rude industrial state where one individual is engaged in doing what in a higher industrial state is divided into several distinct occupations, there can be no active com-

* Protection to Home Industry, p. 96.

merce, but commerce arises and increases with the division of labor attendant upon a varied industry. With the specialization among workers and the subdivisions within industries, the industrial functions of each individual is narrowed, and with this narrowing of his industrial function his demand for the services and commodities of others is increased.

If, by reason of the creation of new interests in any section, a more varied industry is established, a renewed activity will show itself in the conduct of commerce.

It is undoubtedly true that if all the claims made by Free-Traders in reference to production are valid, free raw materials will increase the amount of ocean transportation; and it is but fair to suppose that under a system of Free-Trade, the foreign commerce would be greater than at present. The increased importations from other countries, resulting from a policy of Free-Trade, would occasion increased activity in foreign shipping. The carrying trade of the world is now in the hands of England. In 1882 the total earnings of all countries arising from shipping amounted in round numbers to six hundred and sixty-five millions of dollars. Of this sum, British ships received three hundred and sixty-eight millions, or fifty-five per cent. The United States received one hundred and thirty millions, or less than twenty per cent. When we add to this statement the fact that three-fourths of the tonnage of the United States is engaged in the coastwise and fishery trade, and the remaining one-fourth in the carrying trade, we can see how small a fraction of any increased activity in the carrying trade would come to the United States. Any fiscal policy we might adopt which tends to increase oceanic commerce would be of direct benefit to the commercial interests of England on account of her more efficient merchant marine. It matters not for our present purpose what is the reason of her superiority on the sea, but it could be readily traced in a great measure to subsidies and the lower wages of her seamen. Our policy of Protection, which offers to all industries the conditions of successful production, and to labor the

highest possible rewards, insures a healthy commercial activity within the United States.

We have considered with some minuteness Free-Trade in raw materials as it particularly affects each of the four groups of industries and the labor which is employed in each. Besides these features peculiar to each industry, there are other considerations equally applicable to all, and to labor in general, and which more or less involve the whole question of Free-Trade and Protection. If there is one fact which has been established as the result of sound economic investigation, it is, that under the modern development of industry the greatest measure of welfare to our nation cannot be secured without a varied or diversified industry. With our present population, we are a nation of some twenty millions of workers. All these differ in their capacities and tastes. Some are not productive when engaged in agriculture. Others will not find their full development outside the mines and factories. The diversification of industry, which offers to each the opportunity of the greatest development and production that the natural limitations of his faculties permit, will give us the highest development and largest production as a nation. We want to see something like a balanced union of the four great industries. It is not to be supposed that these will grow equally, for conditions will cause a greater extension of one than of another. But it can be expected that, through wise protection, industries which are fairly capable of permanent prosperity may be offered favorable conditions of development. With a policy of Free-Trade one industry grows and another languishes. The one industry which possesses the greatest relative advantages over that industry among other trading nations will be developed and others neglected.

It is possible that in some countries, under certain conditions, this may be best. These conditions do not exist in the United States to-day. Those parts of the United States which have the most varied industry show a higher annual income to the farmer and greater returns to farm laborers. Some sections of

our country, notably the South, in which a single industry has been dominant, have not acquired the wealth which has come to other sections, nor is the wealth so widely distributed. These sections, with rich mineral deposits and extensive forests, have clung to agriculture and neglected their other resources. Those who look for a new South, if they find it at all, will find it upon the basis of a new industrial organization, brought about largely by the protection afforded to her raw materials.

If the principles of Free-Trade be true and final, an encouraging prospect is not presented to workingmen. England has practically Free-Trade, and her laborers in the factories and in the mines get miserable wages which compel the adoption of a low standard of living. Her farmers are not prosperous, and the Irish peasantry, who prospered in their own country under protection, and now prosper in ours, fare even worse. In 1885, with a population of 35,000,000, England had 780,000 paupers, and many more on the verge of pauperism.* The United States in 1880, with a population of 50,000,000, had 88,000 paupers.

The whole argument of Free-Trade is, that by directing our energy to the production of those articles which we are especially adapted to produce, we can buy those articles which we need and do not produce with a less expenditure of labor and capital than if we were to try to produce them ourselves. Free-Trade, then, tends to national specialization of industry. Protection tends to national diversification of industry.

"With a perfectly Free-Trade," says Cunningham,* "it would probably be impossible for any country to refrain from specializing, while the country that was economically strongest would certainly gain at the expense of others, as it would have an advantage in all the bargains of international trade." That is, the country which in some one or several branches of production excelled all other countries would in these gain over those countries which were not favored

* First Annual Report of Commissioner of Labor, 1886, p. 431.

* Growth of English Industry and Commerce, p. 410.

with special facilities of production. England, for instance, has facilities in many lines of production for the greatest manufacturing nation on the globe. She can afford to sacrifice her other industries to this. The United States has no one industry, or branch of industry, sufficiently more favored than that same industry in other countries, on which to found a powerful industrial nation, although, for a general development of all her industries, she has most favorable conditions. The conditions in England and the United States are quite different, and this difference suggests for each an industrial policy unlike that of the other. The United States produces the greater part of her raw materials of manufacture and somewhat more of food-products than she uses. The production of raw materials with her is not a minor, but an important, industry. As before observed, the raw materials which we do not produce, and which do not displace our American products, should be admitted free.

Our investigations of the conditions and facts of production peculiar to each industry have shown us that free competing raw materials can confer no advantage upon the labor and industries of the United States which are not counterbalanced by attendant disadvantages.

Free raw materials would not help agriculture, for the farmers' products are themselves raw materials.

They would not help manufacturing, for, while they would lessen the consuming power of the home market, they would not enable the United States to gain a permanent place in supplying the markets of the world.

They would not help the mining industries, for the miners' products are the raw materials of manufacture.

They would not help our commerce, for they would decrease the exchange of services and commodities between the different parts of our country, while the increase of the carrying trade, whatever might result, would be absorbed by other countries having a more efficient merchant marine.

As her industries are not benefited, neither is her labor. Like so many

other phases of the tariff question, it upon last analysis resolves itself largely into a question of labor and wages. The United States cannot compete in production with England, Europe and India, and maintain her present scale of wages. If the United States cannot compete in manufacturing with the pauper-paid labor of England and the Continent; in commerce, with the subsidized ships of England; in mining, with the half-paid labor of foreign countries; in agriculture and stock-raising, with the cheap lands and labor of India, Australasia, and the South American States, it becomes important to consider where she shall find such a field for the exercise of her labor and capital as will keep her industries from decay, and her labor above the starvation rates of competing countries.

The economic policy that will insure to the United States a measure of prosperity in the future equal to that which she has enjoyed in the past, is not a policy which will create for us a one-sided industrial development. It will rather seek to develop the various branches of human activity which the character of our people, our soil, our climate and our natural resources give us a capability of supporting. It is a policy which will give to labor the largest possible conditions of varied employment.

Such a policy, logically carried out, along with encouragement to the manufacture of finished commodities, will give protection to our raw materials which have to meet the competition of foreign countries with superior facilities for cheap production.

PRINCIPLES OF THE AMERICAN PROTECTIVE TARIFF LEAGUE.

The object of The American Protective Tariff League, as expressed in Article II of its Constitution, is, by adequate duties upon imported products, to protect American labor, whether Agricultural, Manufacturing, Mining or Commercial, against the competition of low-priced labor in foreign countries.

The League recognizes that the American people should not, and will not, submit to the low standard of wages prevailing in other countries; that this is a Government by the people, and not one in which the people are subordinate to the governing powers; that the existence of the Republic depends upon the maintenance of a high standard of American citizenship, and that in all questions of public policy the advancement of the citizen takes precedence of every other consideration.

It claims that not only the industrial growth of the Republic, but the prosperity and social well-being of its citizens, are promoted by a judicious Protective Tariff. The recent report of the United States Labor Commissions shows that, during the past quarter of a century, under a Protective Tariff, cost of production and expenses of living have steadily diminished, rates of wages have increased, and wage-earners, in common with all other citizens, have reaped incalculable benefits from the general cheapening of commodities that has followed home production and healthful home competition.

It maintains that cost of production and expenses of living are diminished, and rates of wages increased, with the advance in the productive power of labor; and that the growth of this productive power depends upon the opportunities and rewards for intelligent effort afforded by a high standard of wages.

It affirms that the intelligence, skill and ambition of our workmen, encouraged by liberal wages, will enable them to compete advantageously with cheap and unintelligent labor everywhere; that the same methods by which many of the advanced products of American labor are now successfully competing abroad with similar products of foreign labor, may be applied to other industries; and that cheap production, through high wages and intelligence, will enable us not only to hold our own market, but ultimately to command the markets of the world.

While opposing monopolies and exclusive privileges, The League advocates and upholds that policy which protects the right of every American citizen to his share in the fruits of American labor, employed under free government, in the development of our unequalled material resources.

FINALLY, THE AMERICAN PROTECTIVE TARIFF LEAGUE PROPOSES A UNION AND ORGANIZATION OF ALL INDUSTRIAL WORKERS OF AMERICA IN DEFENCE AND FOR THE ELEVATION OF THE AMERICAN STANDARD OF WAGES, LIVING AND SELF-GOVERNMENT.

In furtherance of this purpose, it appeals to all who share in the trials and achievements of American industry, whether wage-earners or wage-payers, to combine in support of a movement which, with their aid, will not only insure the triumph of the American system in America, and improve the condition of all our people, but, by its influence and example, advance the conditions of industrial life throughout the world.

METHODS.

Addressing, therefore, all workers, whether employers or employed, The American Protective Tariff League proposes to make known in every practicable way the principles and advantages of the American Protective System, with the intent thereby to limit the importation of the products of foreign labor, and thus maintain and broaden the fields in which American labor may be profitably engaged.

Under no circumstances will The League identify itself with any political party—its aim being to unite all parties in support of the policy which it advocates.

ORGANIZATION.

The plan of The League includes a Central Organization in each State and Territory of the Union, with a Vice-President and a State Secretary at its head. Subordinate to these, a local organization will be formed in each county, with a Chairman and Corresponding Secretary. In populous districts, town and ward associations or Tariff Clubs will be formed.

MEMBERSHIP.

Any person may become a member of The League; or auxiliary associations may appoint delegate members to represent them in the management of

The League. Provision is also made for life membership, with exemption from annual fees.

All members and auxiliary associations will receive the publications of The League, either gratuitously or at a nominal price to cover cost, and such other aid and facilities as The League may be able to supply.

Correspondence is cordially solicited with any person or association wishing to unite with The League, or to obtain information of its plans and purposes. Address :

HENRY M. HOYT, General Secretary,
American Protective Tariff League,
23 West Twenty-third Street, New York.

PRIZE ESSAY PROPOSAL FOR 1890.

NEW YORK, October 15, 1889.

THE AMERICAN PROTECTIVE TARIFF LEAGUE offers to the Undergraduate Students of Senior Classes of Colleges and Universities in the United States, a series of Prizes for approved Essays on

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Respectfully, etc.,

EDWARD H. AMMIDOWN,
President.

HENRY M. HOYT,
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THE AMERICAN PROTECTIVE TARIFF LEAGUE is publishing a most valuable series of Tariff documents. These are prepared with a view, not only to state the facts and arguments for Protection, but also to convince doubtful voters, whether they are farmers, laborers, merchants, or professional men. Each issue of the series appeals to those engaged in separate industries, and presents indisputable facts, comparisons of wages, cost of living, and other arguments showing the benefits of Protection.

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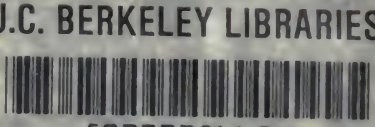

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